GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

BUDGET DISCUSSIONS

FOR

1925-26

MADRAS
PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRESS
1925.

581

GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

BUDGET DISCUSSIONS

FOR

1925–1926.

BUDGET FOR 1925–1926.

2nd March 1925.

12 noon.

The hon. Mr. R. A. Graham :—" Mr. President, Sir, it falls to my lot to introduce a budget which contrasts most unfavourably with that presented to the Council by my predecessor last year and I feel that an explanation is due of the manner in which the finances of the Presidency have so far deteriorated from the position that enabled him to announce 'all clear'. By patient and persistent effort he had succeeded in reaching that position and was thoroughly justified, so far as could then be foreseen, in making the announcement. Financial stringency still continued and the budget was one of strict economy. There was no immediate prospect, without the return of a part of our contribution to the Central Government, of appreciable progress towards nation building, but he was in the happy position, after several years of deficit, of being able to announce that the year 1923–1924 was closing with a surplus of 11 lakhs instead of the anticipated deficit of 19½ lakhs. This result was achieved in spite of a falling off in revenue, due to a bad season in some parts of the Presidency, and of the fact that large grants had been provided in the course of the year to set the finances of

[Mr. R. A. Graham] [2nd March 1925

local bodies in order. It was achieved largely by drastic retrenchments in all possible directions and by careful management which enabled Sir Charles Todhunter further to announce that, when the Budget for 1924-1925 came to be framed, the standing sanctions amounted to 65 lakhs less than the total of the expenditure budgeted for 1923-1924; and after making provision in the budget for 1924-1925 for all standing sanctions and for the repayment of the instalments due in the year on account of our borrowings, there remained, out of the revenue estimated for the current year, 27 lakhs available for new schemes.

Accounts, 1923-1924.

"When the accounts of the year 1923-1924 were finally made up the position was found to be—from a financial point of view—more favourable even than had been anticipated. The revenue, it is true, was less by 11 lakhs than the amount entered in the revised estimate; the receipts from Land Revenue, in particular, were 714 lakhs as against 747 in consequence mainly of the unfavourable season in the Ceded Districts and an organized attempt to withhold the taxes in Tanjore; and the allowance made for the shrinkage of the Excise revenue was found to have been inadequate. On the other hand credit had been given under Devolution Rule 15 for nearly 11 lakhs from Taxes on income owing to the assessed income of the year having exceeded the assessed income of 1920-1921; and the receipts from Stamps and Forests worked out better than had been anticipated. The chief cause of the betterment was however that less than the estimated amount had been spent, the total expenditure charged to revenue being Rs. 16,11,54,000 against Rs. 16,39,58,000; the savings including 3·81 on Education, 2·58 on Industries and no less than 15 lakhs on Civil Works. In the event, the surplus for the year amounted to $28\frac{1}{2}$ lakhs instead of the anticipated 11 lakhs. The whole of this was allocated, in accordance with the principle determined on last year, to the repayment of outstanding debt; thereby off-setting some of the money borrowed since the Reforms to meet deficits, and by diminishing the total debt reducing the interest to be paid in the current year, and particularly the amount on which we have to pay interest at $6\frac{1}{2}$ per cent.

"The total indebtedness, according to the final accounts of 1923-1924 was 1,157·97 lakhs of which 875·26 represented the pre-Reform expenditure on irrigation works and 81·36 the balance of the Provincial Loan Account taken over at the time of the introduction of the Reforms. Of the remaining 201·35, 28·84 represented capital outlay since the Reforms on productive irrigation

2nd March 1925] [Mr. R. A. Graham]

works; 28·50 had been used to pay three instalments towards the balance of the Provincial Loan Account taken over from the Government of India and 119·00 for fresh advances on the same account; ·38 for industrial development; and 21·70 for unproductive works, including grants for water-supply and drainage. There remained 7·98 of the amounts borrowed to cover the revenue deficits in 1921-1922 and 1922-1923.

"It will no doubt have been observed that these figures do not tally with those given last year. The difference is due in part to corrections made since the accounts were finally made up and partly to the fact that certain adjustments expected by my predecessor have not yet materialized, notably the writing back to a capital head of 15·61 lakhs given as grants in 1921-1922 to local bodies for water-supply and drainage schemes and 7·68 representing capital expenditure in connexion with commercial concerns in 1921-1922, 1922-1923 and 1923-1924. The question is still under correspondence with the Government of India.

Revised Estimate, 1924-1925.

"With the anticipation that in 1924-1925 the revenue would exceed the expenditure by 15·18 lakhs and so enable us not only to meet the equated payments due on loans already taken but also to clear off what remained of our overdraft, the year that is now drawing to a close opened with high hopes for the future, in spite of the fact that we had not secured any reduction of our contribution to the Government of India. Very early however it became necessary to utter a warning to the departments of Government that an era of expansion had not yet begun. It had to be realized that, though there was a prospect that the revenue of the year would exceed the expenditure by a small amount, there was no indication that, in the years to come, the revenue would grow in a measure to cover what are inevitable increases of expenditure. Among these may be mentioned the operation of the incremental scales which have been introduced into nearly all branches of the Government services, and have not yet reached what can be regarded as a constant figure; the added liabilities which each year brings for the repayment of money borrowed and the payment of interest; and the commitments under the Elementary Education Act. The bulk of the receipts come from Land Revenue and Excise and while the naturally slow expansion of the former is retarded by restrictions placed on settlement enhancements and the postponement of resettlements, the latter shows signs of decline as a result of experiments designed to reduce the consumption of drink. If these experiments, or any that are made hereafter really bring about a decrease of drunkenness, the result

will be worth securing at some sacrifice of revenue, but I would like to emphasise the warning, given many times already, that a diminution of revenue, and even a decline in the official figures of consumption, cannot by any means be taken as proof that less drink is being consumed; while a fall in the excise revenue must either be made good from some other source or involve a fresh application of the axe to all expenditure.

"However, events have belied the expectations formed a year ago and the year is closing, not with a surplus but with a deficit estimated at Rs. 32,36,500. In spite of unforeseen calamities which have added greatly to our liabilities, the expenditure debited to revenue, including a provision of 9 lakhs made for carrying out the orders of the Secretary of State on the report of the Lee Commission, is likely to fall short of that provided in the budget by nearly 14 lakhs. Of this 3 lakhs is due to the limiting of the amount allocated for the repayment of debt to the amount of the equated payments actually due; apart from this, large savings have been effected under Civil Works and other heads, which have more than covered the additional expenditure for which supplementary grants have been made by the Council; and there have been some adjustments from the Revenue to the Capital head on the commercialization of Government concerns. The deficit has been caused by the receipts being less than estimated, the difference being no less than 46 lakhs, of which Land Revenue contributes over $22\frac{1}{2}$ lakhs and Excise nearly 16. It may be that the estimate of receipts was somewhat optimistic. It appeared, at the time that it was made, to have a sound basis; but it became necessary to reduce Land Revenue by 2 lakhs on the announcement that the Government intended, where an enhancement of assessments took place on resettlement on a percentage basis on account of the rise in prices, to limit the enhancement to $18\frac{3}{4}$ per cent; and later on, in consequence of the floods, the introduction of the resettlement rates in the Nirarambam tract of the Trichinopoly district was postponed, and it became clear that extensive remissions and postponements of kists would materially affect the estimates. Outside the flood-affected areas conditions were very promising till the end of November; but there has been some disappointment with the closing stages of the north-east monsoon and it has not been considered safe to count upon a complete collection of the arrears outstanding. The Excise revenue depends on many uncertain factors and the falling off is due mainly to decreased consumption and smaller bids than were expected at the auctions. An appreciable sacrifice of revenue has followed on the attempts being made to prevent drink being supplied to the Badagas on the Nilgiris.

2nd March 1925] [Mr. R. A. Graham]

"The outstanding event of the year has been the occurrence of floods last July on a scale beyond any hitherto recorded. Several important bridges were carried away and others were injured; roads were washed away or scoured, thousands of houses destroyed, crops ruined over a large area and a smaller but considerable extent buried in sand; and enormous damage was done to irrigation works and embankments. Fortunately the loss of life was small, and the loss of cattle not very serious; while the necessity for immediate repairs and reconstruction provided work, and after the first few days there was no danger of actual distress among the labouring classes. In Malabar, where the floods were perhaps most violent, good crops have been raised over most of the country since they subsided. In Trichinopoly and Tanjore, where most of the damage to irrigation works occurred, every effort has been made to restore them to working order without delay; and although it has been impossible to ensure a full supply of water everywhere and the north-east monsoon has not supplied the deficiency as much as was hoped for, the area of total failure is comparatively small and the season reports indicate that elsewhere the crops are in a fair condition on the whole. The total loss to individuals must have been very great and there are stories current of persons hitherto well-to-do who have been reduced to penury. While these must be the extreme cases and few in number there must be many others which call for the deepest sympathy, and everything possible has been done to palliate the misfortunes of the sufferers. Where land has been scoured away entirely by flood water, there is no practical relief measure which can be adopted. Lands on which for any reason it is impossible to grow a crop come automatically under the remission rules and the amount of revenue remitted under these rules will be considerable. For ryots whose land has been covered with sand, besides offering loans at specially reduced rates of interest, the Government have promised assistance in the way of advice and plant, and officers of the Land Revenue, Co-operative and Public Works departments have been placed on special duty to give help to those who need it. Progress has not been very rapid in this direction because, where a large area is affected, a well-thought-out scheme of removal is wanted and it is often not easy to find a place to dump the sand; partly also, it is to be feared, owing to a lack of power of combination among the persons interested, whose individual interests no doubt sometimes clash. Steps have been taken to acquire fresh village-sites where there was a fear that the existing sites were unsafe against future floods; and where forest materials were available these have been supplied free or at cost price to enable poor persons to rebuild their houses. Immediate steps were taken to repair and restore

embankments and irrigation works; supplementary grants amounting to over 15 lakhs have been obtained for the purpose and are included in the revised estimates, while a further 9 lakhs finds place in the estimates for 1925–1926, besides another 7 lakhs for works designed to safeguard against future floods. A lakh of rupees has been sanctioned for repairs to the Cauvery bridge and Rs. 30,000 for a causeway across the Coleroon; over Rs. 50,000 has been spent in restoring other communications in charge of the Public Works Department; and grants aggregating to nearly 2⅔ lakhs have been made to local bodies to enable them to carry out the more urgently necessary repairs to their communications. Within a few days of the occurrence of the floods a sum of Rs. 40,000, the expenditure of which His Excellency authorized by the exercise of the powers conferred on him by section 72-D (2) (b) of the Government of India Act, was placed at the disposal of the Collectors of Malabar, Trichinopoly and Tanjore for the relief of immediate distress; but the relief of individuals, apart from such concessions as can be given by the Government, is a matter for private effort and was taken up by unofficial committees and bodies. Owing to the multiplicity of these organizations there was some overlapping and dissipation of effort, but the thanks of the public are due for much arduous and disinterested work as also for the generous response received from outside the Presidency and even from outside India to the appeal for help. The Central Relief Committee, of which Mr. T. V. Seshagiri Ayyar is Chairman, is still engaged in administering the funds collected and its activities have covered a wide field. It will no doubt give a good account of what it has done and how it has applied its resources.

"In the budget of the current year there was a provision of Rs. 6,95,700, under the head 47-D. Miscellaneous for a reserve at the disposal of Government. This was intended to provide for definite liabilities the amount of which in detail could not be fixed at the time, especially for the repair of damages caused by floods and cyclones in 1923 and for new schemes in connection with the University and Elementary Education. All but some Rs. 7,000 has now been reappropriated under supplementary grants, Rs. 2,81,880 having been devoted to the repair of flood damages in Ganjam, Vizagapatam and Tinnevelly; Rs. 1,60,000 to the expansion of elementary education; Rs. 1,24,186 to grants to local bodies in the Vizagapatam and Godavari Agencies; Rs. 30,000 to the Coleroon causeway; Rs. 35,000 to make good the deficient budget provision for travelling allowances for members of the Legislative Council; and the rest in smaller sums to other purposes. The balance of Rs. 7,324 is the subject of a supplementary demand still to be made.

"Various supplementary demands were put before the Council during the year. Some of these were justified by their intrinsic importance and urgency and others by the fact that they were intended to carry out a policy urged on us by the Council. Among the most important were the demand for Rs. 1,60,000, of which mention has just been made, for grants to local boards which were levying the education cess, to enable them to open schools in villages containing 1,000 inhabitants; that for Rs. 50,564 for the extension of medical relief in rural areas; and that for Rs. 41,100 for expenses connected with the taking over of the Hosur Remount Depot as a cattle-breeding station. All these commit us to larger expenditure in the future, but have been agreed to as being instalments to meet pressing needs or to further necessary developments. There have been savings in all the three departments concerned and the claims of these schemes were hard to resist, even in a year of deficit.

"The final result is, as stated above, that we expect to close the
12-15 p.m. year with a deficit of Rs. 32,36,500 which must be covered by further borrowing from the Government of India. In addition we shall have borrowed nearly 114 lakhs, including 9·50 for the payment of the year's instalment towards the old Provincial Loan Account, about 71½ for fresh loans advanced during the year and 32½ for capital works of various kinds, so that our total indebtedness at the end of the year will have risen from Rs. 11,57,96,576 to Rs. 12,82,60,131. There is a possibility of some small reduction in the revenue deficit by an assignment from the Government of India under the head Stamps and of a larger reduction if it is decided that certain expenditure, including that on reconstruction after the floods, shall be debited to a capital head; but the latter will not affect the total of our debt. So far as this represents money invested in productive or commercial enterprises or used for loans which will be repaid, it need cause no concern; and the amount representing unproductive capital expenditure is not excessive. The benefit of the surplus of 1923-1924 has, however, been entirely lost and we shall end the year with a debt of 40 lakhs incurred to cover revenue deficits. It is possible that the final accounts will again show that the actual expenditure has been less than the figures entered in the revised estimates; it is also possible on the other hand that the collections of revenue may be less; but care has been taken to reduce the margin of error within the smallest possible limits. I may mention that this year for the first time the Finance Department of Government and not the Accountant-General is responsible for the revised estimates and it has taken a great deal of trouble to ascertain what is likely to be the actual expenditure in every department. A further advance in the direction of accuracy

as well as of economy is hoped for from a system which it is proposed to introduce from the 1st April, under which every officer entrusted with the spending of money will be required to keep a watch, and report, on his own expenditure and that of his subordinates.

Budget Estimate, 1925–1926.

"The estimates of the revenue for 1925-1926 have been framed on a comparatively conservative basis in view of the disappointment of our hopes in the current year. It remains yet to be seen whether the actual collections of this year under Land Revenue will amount to as much as Rs. 7,39,34,000; but assuming that this estimate is correct, an increase of 11½ lakhs next year is a reasonable and not extravagant anticipation, on the assumption that the season is normal. The estimated revenue from Excise is Rs. 499·23 lakhs but this does not mean that we really expect to get Rs. 1,39,800 more than in the current year. We have actually estimated for a further decline of about 12 lakhs, but owing to a change, under instructions from the Government of India, in the manner of accounting for opium, we now include in the receipts the whole of the price charged to licensees and include in our expenditure the price paid to the Government of India for opium supplied, instead of, as formerly, including only the difference in our receipts. The difference in the figures against XIII. Irrigation, Navigation, etc., is due to the hope that less expenditure will be needed on flood repairs; the increase under Interest is due to the larger amount of loans outstanding; while the decrease under Industries is only nominal due to the commercialization of the Cinchona department. The total result is an anticipated revenue of Rs. 16,51,79,100 or Rs. 20,72,000 more than the revised estimate for the current year.

"When the time came for putting the budget together, it was found that this was not enough to cover even our standing commitments. As has been explained, our liabilities rise automatically by the operation of the incremental scales; there is a progressive increase in the amount to be allotted to payment of principal and interest as our indebtedness increases; and every year the places of men who pass off the pension list are taken by men whose average emoluments at the time of retirement are considerably higher, and this swells the cost of pensions. There is a new debit for the cost of opium; and under a ruling of the Government of India it is no longer permissible to borrow money for grants to local bodies for water-supply and drainage schemes. We are committed by promises made in the past to grants of over 18 lakhs in the coming year and these are shown as part of the expenditure under Public Health. Properly speaking therefore there was no money available

2nd March 1925] [Mr. R. A. Graham.]

for new schemes. As usual, many of these were pressed by the departments, and of the urgency of many of them there can be no doubt. The Finance Committee placed one in Class I as a work necessary to prevent a breakdown of the administration—the construction of a new main gate at the Central Jail at Coimbatore. Eighty-nine schemes were placed in Class II as works of immediate urgency to be met from current revenues. These involved an expenditure in 1925-1926 of Rs. 20,44,150—Rs. 3,12,164 recurring and Rs. 17,31,986 non-recurring—and an ultimate liability of Rs. 44,86,213. In addition they placed in Class II, to be met from loans, thirteen schemes involving an immediate expenditure of nearly 7 lakhs and an ultimate expenditure of 25 lakhs. In Class III—schemes recommended for sanction when funds become available—to be met from current revenues, they placed 122 schemes involving Rs. 4,35,481 recurring and Rs. 16,10,235 non-recurring expenditure in 1925-1926 and eventually Rs. 10,32,219 recurring and Rs. 36,98,521 non-recurring or Rs. 47,30,740 in all; and from loans four schemes involving expenditure of Rs. 5,42,280 in 1925-1926 and Rs. 24,03,458 in all. Nine schemes involving an immediate expenditure of Rs. 93,420 and an ultimate expenditure of Rs. 3,61,924 were put in Class IV, not recommended. These recommendations were considered by the collective Government and as a result of their deliberations provision has been made in the budget for practically all the schemes placed by the Finance Committee in Classes I and II and also for a considerable number of those placed in Class III, the total cost to be debited to revenue in 1925-1926 being nearly 33 lakhs and that to loans 6½ lakhs.

"On the *Reserved* side, *Jails* receive 2·98 lakhs, of which 1 lakh is for the construction of buildings for a Tuberculosis jail at Bellary; 1·45 is for giving effect to the recommendations of the Jail Industries Committee, including 1 lakh for improvements to the spinning plant at Coimbatore.

"*Irrigation* receives 2·71 lakhs in addition to what had already been provided as obligatory expenditure. The main items are: 1 lakh for improvements to the Basavannah channel; ·50 for improvements to the Allur swamp drain and ·40 for improvements to the Viranam tank. The details of the other works will be found in the Budget Memorandum.

"*Miscellaneous departments* receive 2·24 lakhs, of which 1·93 is for the Labour department for expansion of its activities, including 1 lakh for wells and pathways.

"Under *Stationery and Printing* a sum of 1·66 lakhs is provided, of which 1·57 is for the replacement of old machines in the

Government Press, Madras; ·18 for extensions to the Mint Street buildings; ·11 for binding charges in connexion with the preparation of a register of holdings for registration purposes.

"*General Administration* receives 1·41 lakhs, of which ·95 is for the construction of additional blocks in the Madras Record office; ·20 for buildings for the Taluk office, Ramnad; ·11 for an officer on special duty in connexion with the creation of an Andhra University.

"*Forest* secures 1·40 lakhs, of which ·75 is for extensions of the Mount Stuart ghat road; ·54 for housing the staff in the Mount Stuart forests; and ·11 for the formation of a Working Plan circle.

"*The Agency tracts* receive an allotment of ·69 lakh, of which ·50 is for grants to local bodies for Education, Medical relief, and roads and bridges; ·10 for widening the Itikavalasa-Jeypore road and ·07 for the opening of two dispensaries.

"*Police* receives ·45 lakh for building police stations and quarters for subordinate officials.

"*Administration of Justice* receives ·44 lakh, of which ·19 is for the bifurcation of the Kistna district and ·25 towards the construction of a separate building for the Court of Small Causes, Madras.

"*The Land Revenue Department* secures ·38 lakh for the appointment of 12 special tahsildars for district maintenance.

"*Education* gets ·35 lakh of which ·25 lakh is for building and equipment grants for European schools; ·04 is for the reorganization of industrial classes in the Reformatory and Senior Certified School, Chingleput; and ·04 is for the certification of two private schools for girls under the Children Act.

"Under *Medical* a provision of ·10 lakh is made for the opening of two dispensaries in the Laccadives and Amindivi islands.

"*Stamps* secure an allotment of ·05 for the purchase of machines for the Madras Stamp office.

"The total allotment for *Reserved* departments amounts to 14·85 lakhs.

"For the *Transferred* departments, the total allotment is 24·66 lakhs, of which the largest share, viz., 11·63, goes to *Education*. The principal items are 2·97 for the expansion of elementary education by subsidising local bodies with a view to enable them to open additional schools in villages with a population of 500 and over; 2·00 for equipment grants and 1·80 for building and hostel grants to private institutions; 1·50 for subsidies to local bodies for secondary school buildings; 1·15 for manual education classes; 1·00 towards the construction of a science block in Queen Mary's College for

2nd March 1925] [Mr R. A Graham]

Women, Madras ; ·15 for subsidies to local bodies for equipment of secondary schools ; ·15 for the improvement of net cost schools under the management of local bodies ; ·15 for the construction of a hostel for the Mrs. A.V.N. College, Vizagapatam ; ·13 for the medical inspection of pupils ; ·11 for the introduction of compulsory elementary education for Mappilla boys in certain selected areas in Malabar ; ·10 for a grant to the Boy Scouts Association ; ·10 for the development of public libraries ; ·09 for the opening of a Government School of Commerce in the Northern Circars ; and ·08 for the deputation to England of two additional scholars.

"For *Roads and Bridges* a total allotment of 4·48 lakhs has been made of which local bodies receive 3·77 lakhs, the principal items being 1·24 for the construction of the Panampuzha bridge, 1·00 for the restoration of flood damages in Malabar, ·65 for a bridge across the Svarnamukhi at Kalahasti, ·50 for repair of damages to trunk roads in the Nilgiris, ·18 for improvements to the Tellicherry-Coorg road and ·23 for widening the Paralai-Castlecroft road.

"*Medical* receives 2·76 lakhs, of which one lakh is for the Medical school and hospital buildings at Guntūr, ·39 for the acquisition of two Mission buildings for the Headquarter Hospital, Calicut, ·30 for grants to local bodies for the construction of hospital buildings, ·25 for building grants to private hospitals, ·15 for a morgue and freezing chamber at the Rayapuram Hospital, ·12 for increasing the maintenance grant to the Union Mission Tuberculosis Sanatorium, Madanapalle ; ·12 for additional staff and equipment for the infectious diseases ward in the Headquarter Hospital, Vizagapatam, ·12 for the training of medical officers and subordinates in biochemistry, X-Ray treatment and dental surgery ; and ·10 for the improvement in the scale of bedding for patients in the Mental Hospital, Madras.

"*Agriculture, Veterinary and Co-operation* receive 2·18 lakhs of which 1 53 is for the Agricultural department. The principal items are : ·99 for the establishment of a paddy-breeding station in the Kistna delta ; ·29 for housing the subordinates of the Agricultural College, Coimbatore, ·10 for increasing the cadre of upper subordinates and temporary demonstration maistris ; ·07 for housing the staff at the Potato farm, Nanjanad, and ·04 for the investigation of betel-vine disease. The Veterinary department secures ·56 lakh of which ·25 is for buildings for the Veterinary dispensaries at Adoni and Tiruppur ; ·22 for additional buildings at the Madras Veterinary College ; ·05 for three new Veterinary dispensaries and ·03 for additions to the touring staff. The Co-operative department receives ·09 lakh of which ·08 is for

12-30 p.m.

additional Inspectors for the Labour department and for work in the Kallar area in the Tanjore district and ·01 for a subsidy to the Provincial Co-operative Union, Madras

"*Industries* secure 1·02 lakhs. The main items are: ·42 for the purchase of pumping engines; ·25 for building grants and ·15 for equipment grants to private industrial schools; ·09 for equipment for the new Research Laboratory at the Leather Trades Institute; ·06 for the purchase of raw materials in connexion with the opening of classes in the Leather Trades Institute to give practical training to tanners; and ·04 for additional works in the Kerala Soap Institute.

"Under *Miscellaneous* a sum of ·63 lakh has been provided for compassionate grants and temporary advances to district and local boards.

"*Registration* receives ·49 lakh, of which ·30 is for buildings; ·10 for new sub-registry offices and ·09 for the bifurcation of the Kistna district.

"*Public Health* secures 43 lakh, of which ·21 is for improvements to the supply of electricity in the King Institute, ·09 for the appointment of ten additional municipal health officers; ·05 for a grant to the Madras Health Council; ·05 for an experimental sewage disposal plant at the Engineering College, Guindy; ·02 for the training of four lady health visitors for municipalities at the school for health workers, Madras.

"*The Public Works Department* receives ·36 including ·15 each for an office and quarters for the Subdivisional officer at Pollachi and quarters for the Executive Engineer, Vellore, and ·06 for a Subdivisional and Overseer's office at Narasapur.

"*The Excise Department* receives ·30 for the construction of quarters for the Assistant Commissioner, Vellore, and the Inspector of the Sankaridrug circle.

"Under *Stationery*, an allotment of ·19 is made, of which ·15 is for paper required in connexion with the preparation of a register of holdings for registration purposes and ·04 for the purchase of typewriters for the proposed School of Commerce in the Northern Circars.

"*The Fisheries Department* secures ·08, of which ·06 is for extensions to the Fish Farm at Praema in the Kurnool district and ·02 for the reorganization of the staff employed in fish-curing yards.

"Under *General Administration* an allotment of ·07 is made for the appointment of a Personal Assistant and of additional staff for the Registrar-General of Panchayats.

2nd March 1925] [Mr. R. A. Graham]

"*Scientific departments* secure ·06, including ·04 for the preservation of bronze images and ·01 for the preparation of a catalogue of coins and seals in the Government Museum.

"The loans budget has been drawn up on the lines adopted last year and shows that we have asked the Government of India to permit us to borrow 198¾ lakhs in 1925–1926. The equated payment due during the year on account of debt already incurred will amount to 19·94 lakhs, in addition to 9·50 lakhs to be paid for the old Provincial Loan Account; and our total debt at the end of the year is expected to amount to Rs. 1,451·90 lakhs.

"Of the 198¾ lakhs to be borrowed 25 lakhs are for irrigation works, including 4·71 for the Metur project, and 1·96 is for the financing of commercial concerns. For the Provincial Loan Account our net borrowings will be 53·63 lakhs, this figure being arrived at by deducting recoveries amounting to 30·06 lakhs from advances amounting to 83·69 lakhs. The budget makes provision for loans of 6 lakhs to the Madras Corporation for water-supply and drainage works; of 6 lakhs to the Tuticorin Port Trust, of 20 lakhs to the Port Trust to be constituted at Cochin in furtherance of the development of that port; of 13·81 lakhs to mufassal district boards and municipalities; of four lakhs under the State Aid to Industries Act; of 12·88 lakhs for miscellaneous loans and advances including two lakhs to enable a beginning to be made with Land Mortgage banks; and of 21 lakhs under the Land Improvement Loans Act and the Agriculturists Loans Act. For unproductive works we are borrowing 20·62 lakhs including 5 lakhs for the new bridge to be constructed over the Coleroon, the total cost of which is estimated at 13·79 lakhs; and the remaining 88·03 lakhs are required to cover the revenue deficit. There is little in the figures that needs explanation, but it may be noticed that on page 385 of the Civil Budget Estimates where the figures of loans under the Agriculturists Loans Act are given, credit is taken for a recovery of 7·04 lakhs out of the loans granted to sufferers from the Mappilla rebellion. The question of these loans is one of the few matters arising out of the Mappilla rebellion remaining to be settled. The total amount advanced was Rs. 8,97,401 and no part of this has so far been recovered and no interest has been collected on it. A pledge was given that in view of the fact that the Mappilla Outrages Act was not being applied, compensation to sufferers would be provided out of the fines levied in the ordinary way. Prosecutions and the levy of fines have ceased since last October, the total amount collected being over nine lakhs, and Government felt that it was time to bring the episode to a close. The loans included 4·91 lakhs advanced to private individuals and 4·07 lakhs lent to rubber

companies which sustained extensive loss and destruction of property and needed help to enable them to carry on. The loans granted were not, however, in proportion to the damage sustained and after careful examination the Government consider that the most equitable course will be to wipe out all loans granted to private individuals and 2·13 lakhs of the loans granted to the rubber companies and to pay in addition Rs. 41,280 as compensation to one of them. The debit on this account appears under the head '47. Miscellaneous' and is included partly under the minor head 'Irrecoverable temporary loans written off' and partly under the minor head 'Miscellaneous and Unforeseen charges'.

"From the point of view of a Finance Member there is little satisfaction to be derived from a budget which closes with a deficit of 38 lakhs. The Council on the other hand may complain in spite of the figures I have just given that too little has still been provided for nation-building, and it must be admitted that there is much leeway to be made up. The hon. Minister for Local Self-Government would like to press on with schemes of rural water-supply and for the extension of medical aid. The hon. Minister for Education feels that he has only made the first few steps towards universal education and wants to get on with the Andhra University, while the hon. Minister for Development has many proposals for the improvement of agriculture and the encouragement of industries. The Reserved departments are more modest (hear, hear), but they also have urgent needs, especially in the matter of buildings. The long-deferred building of the new Government Press cannot be put off much longer; houses are needed in many places for officers of various grades; there are large arrears to be made up in the provision of quarters for the subordinate police; many courts and offices are out of date and inadequate and a complete set of buildings is needed for the new Godavari West district (hear, hear). There must be some limit to our spending however and with our present resources there is no hope of further advance for some years to come. In fact even to finance the projects already embarked on there must be either additional taxation which is unpopular or retrenchment which, besides being unpopular (when it actually comes to be carried into effect), has already gone so far that if ingenuity could find further scope it would be at the expense of efficiency. The only justification for the budget lies in the hope of a diminution of our contribution to the Government of India—a hope that has been disappointed every year so far but has been revived again by the speeches made in the Legislative Assembly last September and the common anticipation that the Government of India would have a surplus in the coming year.

2nd March 1925] [Mr. R. A. Graham]

"In many quarters the idea still persists that a province has only to make its position appear bad enough to induce the Government of India to come to its help. It dates back from the old days of complete dependence on the Government of India; and there may have been some apparently good foundation for it in those days; but there is no room for it under modern conditions when the finances of the provinces are being separated more and more completely from those of the Central Government and our aim is to achieve fiscal autonomy. It is in pursuance of this idea that suggestions have been made during the year that the Government of India should be asked to remit a part of our contribution because of the expenditure thrown upon us by the floods. Any such request was bound to be refused and to lead only to disappointment. We cannot, because we fail to make our income cover our expenses, appeal to the Government of India for doles or charity and an appeal of the kind would have been not only futile but undignified. It is true that we have had the comparatively recent example of a sister province, in which the provincial taxation is much lighter than our own, securing a modification of the Devolution Rules in order to relieve it for three years of a much lighter burden than ours; and now that the three years are over, the same province is asking for a further exemption and seems likely to get it. The special treatment accorded in that case however was commonly attributed to reasons of other than a financial nature, which happily do not operate here, and though we may object to preferential treatment, we ourselves do not ask for a remission of our contribution as charity, but as a right to which we are entitled as soon as the finances of the Government of India permit. A budget showing a large deficit is not an argument in favour of a remission but may be justified, in a year when it is reasonably certain that the Government of India will have a surplus, by reliance on the rules and on the pledges of the Government of India that the contributions shall be remitted or reduced at the earliest possible date. While this is so, the fact that we have a deficit makes it urgently important that we should all combine and use every effort to ensure that any surplus which the Government of India have shall be applied to relieve our necessities before any other claims are considered.

"Well, the anticipation of a surplus has been fulfilled and in the Legislative Assembly on Saturday the hon. the Finance Member announced the amount expected and the proposals of the Government of India with regard to it. They expect to be able to dispose of a surplus of $2\frac{1}{4}$ crores and propose to devote it to a remission of the provincial contributions; and under the Devolution

[Mr. R. A. Graham] [2nd March 1925

Rules Madras is entitled to a remission of 126 lakhs. This is a substantial sum and we may combine thankfulness with our congratulations to the Government of India and the controllers of their finances on their being in a position to give the provinces this measure of justice. It is not more than we need to relieve us of the millstone of debt which we have incurred in the current year and should, without it, have had to incur in the coming year to cover deficits, but by removing this dead-weight once for all and reducing our charges for interest and the repayment of capital it should enable us to start fairly on the path of progress. If it does not by itself permit us to launch out immediately into further expenditure in the coming year, it will at least provide means for carrying on in future years the schemes already initiated for which we should otherwise have had great difficulty in providing funds in 1926–1927 and open the way for further expansion then.

"It must not be supposed however that there remains nothing to be done but to sit still and be thankful for a windfall.

12-45 p.m. We have not yet got the remission; we have only proposals of the Government of India in which they contemplate inviting the concurrence of the Assembly, and until all the processes necessary have been completed our figures cannot be altered and we remain with a deficit budget. The Finance Bill has to be passed and then a resolution on the subject of the remission of the contributions will be put before the Assembly, and it would be very imprudent to assume that our difficulties are already at an end. I cannot think that on this occasion members from provinces which, like ours, are vitally interested in the remission of the contributions, will be led away by specious arguments or political side-winds to do anything that will bring into hazard our prospects of obtaining the full measure of relief to which we are entitled; but it is still to be feared that pressure will be brought to bear on them from various quarters, and they have a right to know from us that we are solidly and earnestly behind them in all efforts they make to safeguard the interests of the Presidency. We have had ample warning that there are powerful interests at work to raid the surplus or divert it to other uses. They are able to exercise great influence in the Assembly; they are supported to some extent by sentiment; they are well organized and have the services of skilful propagandists in the press and on the platform; but put baldly, the choice now is between the needs of our people and the profits of the mill-owners, and so long as the issue is kept clear I cannot imagine that there will be any hesitation as to which is to be preferred. Opinions may differ as to whether the cotton excise is a good or a bad means of raising revenue; but the one thing certain is that its removal would

2nd March 1925] [Mr. R. A. Graham]

have no effect in cheapening the clothing of the poor or reducing for them the cost of living; whereas an improvement of our provincial resources is imperatively needed if we are to make any progress in the spread of knowledge and the amenities of civilization among our own people.

"I cannot forecast what will be the trend taken by the debates in this House later on in the week; but I hope it will be kept in mind how obviously it is to our advantage that the Finance Bill of the Government of India should go through without material alteration, and that their resolution on the subject of the contributions should be passed; and whatever criticisms may be levelled against the budget, whatever differences of opinion there may be on other points of policy, I trust that, both in the Council and outside, there will be such a strong and unanimous expression of opinion on this matter as to show our representatives at Delhi that there is no lukewarmness or weakness here. The responsibility will lie with them, and they are not likely to treat it lightly; and they will be heartened by an assurance that we shall accord full recognition to the steadfastness with which they will have to reinforce their patriotism if they are to stave off all attempts, direct or indirect, to diminish or retard the rectification of the injustice from which we have so long suffered." (Applause)

* * * *